

THOMAS M. DAVIS
11TH DISTRICT, VIRGINIA

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WT 97-82

Congress of the United States
House of Representatives
Washington, DC 20515-4611

July 30, 1997

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FEDERAL COMMUNICATIONS COMMISSION
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HERNDON, VA 20170
(703) 437-1726

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WOODBIDGE, VA 22192
(703) 590-4599

The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, NW
Washington, D.C. 20554

Dear Chairman Hundt:

It is my understanding that the FCC is currently considering a number of restructuring plans for PCS licenses in the C- and F-block. While I understand the difficulty in making these decisions, I respectfully urge that you act quickly and implement a plan which defers payments in the early years of the repayment schedule. Such action will promote increased investment in infrastructure, create a substantial number of new jobs, and foster increased competition in the telecommunications marketplace.

The Telecommunications Act of 1996 and the 1993 spectrum auction legislation required the FCC to provide additional opportunities for small businesses to compete in the telecommunications marketplace. Thus far, the Commission has done an outstanding job providing new entrants with the opportunity to compete. However, within the wireless industry, such competition has been slower to materialize. Restructuring the F- and C-block will ensure that consumers are not denied the significant benefits of competition that Congress originally envisioned.

I believe the Commission should act quickly to defer payments on C-block licenses in the early years of the repayment term. This action will ensure that buildout continues unabated, thus reducing the amount of time for companies to generate cash flows to repay the government the principle and interest payments pledged. This action will also ensure that the public is not denied the significant benefit that wireless competition will deliver in the form of new investment and job creation.

Thank you for your consideration of this important matter.

Sincerely,

Tom Davis

Tom Davis
Member of Congress

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STENY H. HOYER

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C. 20515

TELECOMMUNICATIONS COMMITTEE

COMMISSION ON SMALL BUSINESS
COOPERATION AND INVESTMENT

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Congress of the United States

House of Representatives

Washington, DC 20515-2005

August 7, 1997

EX PARTE OR LATE FILED

The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Chairman Hundt:


I am writing to recommend that the FCC continue to observe the Telecommunication Act's mandate of increased competition, job creation and an expanded marketplace, as it considers action affecting new entrants to the wireless industry.

I understand that the FCC is presently considering various proposals for addressing the problem of debt among PCS licensees in the C and F blocks. As you know, the Telecommunications Act and the 1993 spectrum auction legislation require the FCC to provide additional opportunities for small businesses to compete in the telecommunications marketplace. This specific directive derives from the general pro-competition, pro-consumer mandate embodied in this important legislation. As you consider plans for addressing the C- and F-block debt issue, I hope you will work toward a resolution which will permit entrepreneurs availing themselves of the opportunities created by the C- and F-block spectrum auctions to bring their investment plans to fruition. By so acting, the FCC will insure that consumers and local economies will soon begin to enjoy the significant benefits of new competition that Congress envisioned as the fruits of the recently enacted telecommunications laws.

Further, recognizing the complexity of the issues involved, I would urge you to consider that, whatever action the FCC takes, an expeditious decision is in the best interest of all the affected parties.

Thanking you for your consideration of these concerns, and with kindest regards, I am

Sincerely yours,



STENY H. HOYER

cc: Commissioner James Quello
Commissioner Susan Ness
Commissioner Rachelle Chong

APPROPRIATIONS COMMITTEE

TELECOMMUNICATIONS COMMITTEE
GENERAL INVESTIGATION

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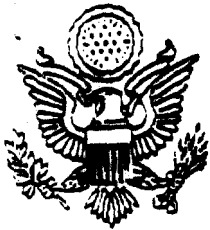
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U.S. SENATE COMMITTEE ON

Commerce, Science, and Transportation

JOHN McCAIN, Chairman

www.senate.gov/~commerce

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FAX

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564*

TO: Honorable Reed Hundt

OFFICE: FCC

FAX NO: 418-2801

DATE: 8/20 TIME: 11:30

PAGE 1 OF: 4

FROM: Pete Bedwin (202) 224- 5184

SUBJECT: C-Block

WT 97-82

5614

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United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

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September 18, 1997

SEP 24 1997

EX PARTE OR LATE FILED

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Honorable Reed E. Hundt
 Chairman
 Federal Communications Commission
 1919 M Street, N.W.
 Washington, D.C. 20554

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Dear Chairman Hundt:

I am writing with regard to recent press reports concerning the Commission's deliberations on the C Block Personal Communications Services licenses.

This letter is not intended to express any view on the merits of the arguments advanced by any party to the proceeding or on any views that any of the Commissioners may tentatively hold. My sole point in writing is to convey my concern over the possibility that resolution of this matter may be postponed still further.

The Commission has engaged in intensive efforts to identify and weigh the many difficult issues involved in this matter. It is not surprising that, given the complexity of the issues and the competing public policy concerns at stake, opinions on how best to resolve these issues appear to differ.

As the Commission well knows, the Balanced Budget Act calls for a series of future spectrum auctions designed to raise revenues that will play a substantial part in achieving a balanced budget. In order for this goal to be achieved, however, it is absolutely essential that bidders and investors clearly understand the rules that will apply to spectrum auctions. Any uncertainty in the governing rules will cloud this understanding, and any cloud in this understanding runs the risk of negatively affecting the success of these auctions. I am attaching for you review a copy of my previous letter on this matter in which I stated my fundamental concern that the Commission's resolution of this matter not adversely impact the integrity of the

auction process or the confidence that parties would have in the stability of the Commission's auction rules.

This is also why public comment has overwhelmingly favored a prompt resolution of the issues in this long-pending proceeding. Therefore, notwithstanding press reports to the contrary, I would hope that even at this juncture this Commission would be able to work together to reach at least some level of consensus and issue a final decision. Again, I express no view on what the substance of any consensus decision should be. But even if no unanimity on any point is possible, I would urge that the Commission proceed to adopt a majority final decision to resolve the prevailing uncertainty and allow interested parties to pursue whatever course of action they believe their interests dictate.

Please treat this communication in the manner prescribed by the Commission's rules.

Sincerely,



John McCain
Chairman

JM/pb
Enclosure

JOHN MCCAIN, ARIZONA, CHAIRMAN

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 AND CHIEF OF DEMOCRATIC CHIEF COUNSEL AND STAFF DIRECTOR

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WT 97-82

United States Senate

COMMITTEE ON COMMERCE, SCIENCE,
 AND TRANSPORTATION

WASHINGTON, DC 20510-6125

August 19, 1997

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FEDERAL COMMUNICATIONS COMMISSION
 OFFICE OF THE SECRETARY

Honorable Reed E. Hundt
 Federal Communications Commission
 1919 M Street, N.W.
 Washington, D.C. 20554

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Dear Chairman Hundt:

Much attention continues to be focused on how the Commission will treat the various proposals for relief from the Commission's auction rules that have been filed by parties to the C Block PCS auctions. I appreciate how difficult it is to accurately balance and resolve the equities of the various parties interested in this matter, and I am also aware of the intensive effort the Commission is currently making to reach a fair decision in a timely manner.

The decisions the Commission makes will have a substantial impact, not only on the interests of the parties involved, but also on the future of competition in the wireless industry and on the integrity of spectrum auctions. Due to the importance of these larger issues, I am writing to express my views. I am not writing this letter on behalf of any party to these proceedings. I do not express any opinion on the merits of any arguments made by any particular party, nor do I intend this letter to be treated as being in support of or in opposition to any specific request for relief made by any party. I ask that this letter be placed in the record of this proceeding and otherwise treated by the Commission in the manner prescribed by the Commission's rules.

The auction authority granted the Commission by the Congress in 1993 specifies that the Commission's auction rules seek to promote economic opportunity and competition by disseminating licenses among a wide variety of applicants, including small businesses. The Commission has attempted to achieve this objective by tailoring its auction rules to benefit small businesses, providing, among other things, preferential payment schedules and specified blocks of spectrum for which they would be the only eligible bidders. In an attempt to insure that only genuinely small businesses would be eligible for this special treatment, the Commission developed an intricate system of rules governing the permissible ownership structure and financing arrangements such entities would be required to demonstrate.

Unfortunately, in the auction for PCS licenses in the C Block, which was reserved for small businesses, many bidders apparently substantially overbid the estimated value of the C Block spectrum. Many observers consider these extraordinarily high winning bids to be the primary reason why a number of the successful small business C Block licensees are unable to make the

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payments prescribed in the Commission's rules, and are therefore asking the Commission to extend various types of relief, including debt restructuring.

In my view it would be wholly wrong for the Commission to act in a manner that ignores the fact that the Commission, at the direction of the Congress, actively encouraged the participation of small businesses in this auction. There is therefore an implicit obligation on the part of the Commission to acknowledge in whatever solutions it develops the more limited resources and experience of these entities, as well as the substantial commitments some have already made to pursuing their business plans. Because the Communications Act requires the Commission to seek to further the ownership of telecommunications facilities by small businesses, it would be incompatible with the terms of the law to treat defaulting C Block bidders punitively.

At the same time, however, the law does not, and indeed could not, require the Commission to substantially revise the rules that govern these entities solely for the purpose of guaranteeing their ability to retain licenses that they are not otherwise in a position to pay for pursuant to the rules in effect when the auction was held. To do so would be to unjustly enrich defaulting bidders by giving them licenses under special terms they had no reasonable expectation of receiving. Conversely, it would unjustly penalize the rest of the bidders in all the PCS auctions who bid reasonably and in reliance on the existing rules.

Any solution devised by the Commission should give the defaulting C Block winners a fair opportunity to go forward in the PCS business with those licenses they are prepared to pay for without wholesale, after-the-fact rewriting of the Commission's rules. At the same time, more restricted, targeted rule changes might accommodate the interests of the defaulting bidders without unduly trenching on the equities of others who are complying with the rules. For example, the Commission may wish to consider allowing defaulting C Block bidders to return without penalty licenses they cannot otherwise pay for, under guidelines prescribed by the Commission to safeguard the interests of other parties who may wish to bid on these licenses at any re-auction. Or the Commission may wish to consider changing the installment payment schedule in such a way as to relieve some immediate pressure on the defaulting bidders without effectively rewriting the spectrum payment rules and thereby fundamentally changing the terms of the bargain the C Block bidders had a right to expect. Finally, the Commission might evaluate revising its current rules on partitioning, disaggregation, and joint venturing among small entrepreneurs in order to make it easier for C Block bidders to pursue their business plans with the licenses they ultimately hold.

In the final analysis, however, one consideration is paramount. The number and importance of auctions has increased exponentially with the enactment of the new spectrum auction provisions in the Balanced Budget Act of 1997. The Commission must therefore remember that any action it takes subsequent to the conduct of a specific auction affects the way the public perceives the auction process as a whole. For this reason, the Commission's decision in the C Block matter will have an inevitable impact beyond the C Block and the prior PCS auctions to the upcoming spectrum auctions as well.

This makes it absolutely essential that the Commission not engage in summary and unanticipated rule changes liable to undermine the reasonable expectations of the participants in future

auctions. In resolving the issues before it the Commission must place primary emphasis on preserving the integrity of the auction process by assuring that bidders and financial backers can rely on the stability and continuity of the rules that govern the auctions and the auction participants. The Senate Commerce Committee will exercise its oversight authority to assure that the Commission meets these responsibilities.

Sincerely,

A handwritten signature in dark ink, appearing to read "John McCain", written in a cursive style.

John S. McCain
Chairman

DISTRICT OFFICES

Telephone 804-271-1111
St. Bernard Parish, Louisiana 70082-1111
6001 West 1st Street, Baton Rouge, LA 70803

Telephone 804-476-1111
Federal Building, Baton Rouge, LA 70803

Telephone 804-476-1111
2100 East Main Street, New Orleans, LA 70114

Telephone 804-621-1111
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WT 97-82

Congress of the United States

House of Representatives

Washington, DC 20515-1503

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August 13, 1997

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SEP 24 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Chairman Hundt:

I understand that the Commission is considering alternative financing arrangements for the winners of broadband PCS C-Block licenses. Permitting this class of licensees to defer payments for several years will best serve the public interest by expediting the delivery of wireless service to the public and creating new competitive opportunities in the telecommunications industry for small and entrepreneurial businesses.

Two important objectives of the spectrum auction provisions of the Omnibus Budget Reconciliation Act of 1993 and the Telecommunications Act of 1996 were to bring new services to the public and create new competitive opportunities as quickly as possible. These objectives are presently imperiled by the inability of small and entrepreneurial companies to obtain financing under the current payment rules for C-Block licensees. Accordingly, the Commission should permit these licensees to restructure their debt, allowing them to raise funds, construct their networks, and produce a positive net cash flow. This will substantially expedite the delivery of new services to the public, create new competitive opportunities for PCS small businesses, and best assure that the public is properly compensated for the use of the spectrum.

I further understand that the Commission may be considering an expedited re-auction option for C-Block licensees. Such a proposal will only be workable and consistent with the goals of Congress if the new auction is indeed expedited (and the Commission commits in advance to an expedited schedule). Moreover, such an auction must be limited to true entrepreneurs, and "designated entities," as contemplated in the original Commission rules. Finally, in light of the unique circumstances presented by judicial and regulatory delay as well as the current weaknesses in the capital markets for C-Block PCS licensees, the rules must not be punitive to entrepreneurs participating in a re-auction (particularly with respect to the application of these companies' down payments in the original auction).

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I look forward to hearing from you on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Billy Tauzin". The signature is fluid and cursive, with a long horizontal stroke at the end.

BILLY TAUZIN

Chairman

**Subcommittee on Telecommunications,
Trade, and Consumer Protection**

cc: **Commissioner Quello**
Commissioner Ness
Commissioner Chong

C
CHRISTOPHER S. BOND
MISSOURI
COMMITTEES:
APPROPRIATIONS
SMALL BUSINESS
BUDGET
ENVIRONMENT AND
PUBLIC WORKS

United States Senate
WASHINGTON, DC 20510-2503

EX PARTE OR LATE FILED
July 14, 1997

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Hon. Reed Hundt
Chairman
Federal Communications Commission
1919 M Street NW
Washington DC 20036

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SEP 24 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Chairman Hundt:

As the Commission pursues its commitment to spectrum license auctions, I believe the Commission should strengthen its commitment to ensuring that small business people and entrepreneurs continue to have a seat at the auction table with a realistic opportunity to win the use of spectrum. I believe such a policy is essential to the strength and growth of the entrepreneurial sector of the telecommunications industry. New small telecommunications businesses must have access to spectrum if they are to create new products, inspire competition and employ Americans.

The Commission displayed such a commitment by creating both the C & F blocks when conducting the Personal Communications System (PCS) auction. Several factors, including delays in proceeding to the auctions, have contributed to the inability of license holders to meet the payment schedule that is a condition of each successful bid. Without a resolution of this situation, several license holders will be faced with default, licenses may be tied-up in bankruptcy proceedings and any further auctions and reissuance of these licenses may yield a diminished return.

Given this scenario and the benefit to be derived from entrepreneurial presence in the PCS market, I encourage the FCC to continue to meet with industry representatives, including license holders, to address this situation. I recommend that the Commission hear and consider industry proposals to alter the payment schedule and ensure that the full price of the licenses is realized by the federal treasury and that the PCS industry has a healthy infusion of entrepreneurs constructing networks and offering competitive services. The industry will benefit from a solution that is fair to current license holders who are satisfying their commitments, that will enable small businesses and entrepreneurs to construct networks, market their services and satisfy their commitment to the FCC.


Additionally, any solution reached at the Commission should protect the integrity of the auction rules, specifically with regards to the ownership and attrition rules for small business and entrepreneurs. The Commission must make assurances that the

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ownership and attrition rules remain unchanged and not permit larger companies to purchase spectrum reserved for small businesses and entrepreneurs. The future of the industry is very promising, I am certain there are many businesses that meet the specifications and are anxious and financially capable of competing under the guidelines established by the Commission.

I appreciate your attention in this matter. Please keep me advised as to the progress of the Commission's efforts.

Sincerely,



Christopher S. Bond

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WT 97-82

United States Senate

WASHINGTON, DC 20510

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August 7, 1997

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SEP 24 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Chairman Hundt:

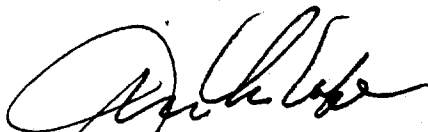
We have recently met with C block Broadband Personal Communications Services (PCS) licensees which hold licenses in largely rural markets in our states. It is our concern that the debt and equity markets are reluctant to invest in companies holding these licenses, regardless of spectrum price or the companies' business plan.

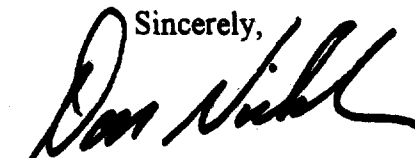
Many C block licensees are prepared to offer state-of-the-art wireless services in markets that have been neglected by larger participants -- rural America. Our concern is unless the issue of financing and restructuring of the debt is addressed, the attempts of the 1993 spectrum law and the 1996 telecommunications reform to provide new services to rural America may fail.


The C block auction was unprecedented and has been largely successful. However, debt restructuring of the PCS licensees may be necessary to address the concerns that have been raised by the interested parties. These licensees should be accorded the necessary time to have access to capital markets before government payments are due in order to foster the development of meaningful competition in rural America. It is not our intention to interfere in the Commission's established licensing process. We request that the FCC continue to work with the C block licensees to address this emerging problem.

We look forward to hearing your views on this matter.

Sincerely,


James M. Inhofe
United States Senator


Don Nickles
United States Senator


Conrad Burns
United States Senator

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RICHARD BURR

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ENERGY AND POWER

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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Congress of the United States

House of Representatives

Washington, DC 20515-3305

August 11, 1997

The Honorable Reed E. Hundt
Federal Communications Commission
1919 M Street, N.W.; Room 814
Washington, D.C. 20554

Dear Mr. Chairman:

It has come to my attention that the Federal Communications Commission has under consideration a number of restructuring plans for winning bidders in the "C" and "F" blocks of the PCS auctions. The intent of the auctions, as you know, is two fold. First, we want to increase competition in the PCS market. Second, the auctions should bring in revenue to the treasury.

For these reasons, I encourage the Commission to adopt a plan that defers payments in the early years of the repayment term while keeping the government whole in terms of principal and interest obligations. By allowing this deferment, winning bidders will be able to make greater investments in network build-out today.

This significant investment at the outset, in turn, will allow the companies to enter the market harder and faster thus increasing competition and creating many new high-tech jobs all while insuring that the government is repaid in the amount of time necessary. Ultimately, the benefactors of a deferment plan will be the consumers of PCS services. More companies will enter the market sooner resulting in lower rates and new and better services. I urge the Commission to act quickly on this matter so that winning bidders can continue building networks that will offer high quality, affordable communications services to the public.

Thank you in advance for your prompt consideration of this matter, and I look forward to working with you on this and other issues in the future.

Sincerely,

Richard Burr
Member of Congress

RB:cg

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SUE W. KELLY
19th District New York

COMMITTEE ON
TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON SURFACE TRANSPORTATION
SUBCOMMITTEE ON WATER RESOURCES
AND ENVIRONMENT

COMMITTEE ON SMALL BUSINESS
HARMAN SUBCOMMITTEE ON REGULATORY
REFORM AND PAPERWORK REDUCTION

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COMMUNITY DEVELOPMENT
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WT 97-82

PLEASE REPLY TO
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914-597-5200

105 SOUTH BEACH ROAD ROOM #101
MIAMI BEACH, FL 33139
305-531-6340

Congress of the United States

House of Representatives

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Washington, DC 20515-3219

August 11, 1997

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SEP 24 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Honorable Reed Hundt
Chairman
Federal Communication Commission
1919 M Street NW Ste 814
Washington, D.C. 20036-3505

Dear Chairman Hundt:

I understand the Commission is currently considering an alternate payment schedule for entrepreneurs and small businesses that were awarded licenses in the Commission's C-block Personal Communications Service (PCS) auction. I commend you in your efforts. I believe a commercially reasonable restructuring will promote competition and jobs in the wireless marketplace and will help ensure that the provisions of the Telecommunications Act of 1996 to promote competition for new entrants, particularly small businesses, are met. As a member of the Small Business Committee, I am particularly concerned that these goals be met.

NextWave Telecom Inc, whose headquarters for the New York region is in my district, has made substantial progress in building its network but has had to pull back because of the current financial situation. It is clear that these PCS entrepreneurs are unable access funds through the capital markets at this time. Therefore, I urge you in the restructuring to adopt a schedule that defers payments on the licenses for a sufficient amount of time to allow their networks to be constructed and a revenue system to begin. The success of these small businesses is essential if we are to satisfy the goals of the Telecom Act.

Again, I commend your efforts, and I appreciate your consideration.

Sincerely,



Sue W. Kelly
Member of Congress

SWK:ag

cc: Commissioner James Quello
Commissioner Susan Ness
Commissioner Rachelle Chovy

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R. TK. BULCHER
8TH DISTRICT, VIRGINIA

COMMITTEES:

COMMERCE
SUBCOMMITTEES:

TELECOMMUNICATIONS, TRADE AND
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ENERGY AND POWER

JUDICIARY
SUBCOMMITTEE:

COURTS AND INTELLECTUAL PROPERTY

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WT 97-82

Congress of the United States
House of Representatives

July 25, 1997

The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W., Room 814
Washington, D.C. 20554

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SEP 24 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Reed:

As the Commission considers repayment plans for C-block personal communications service (PCS) companies, I urge you to adopt a plan which defers payments in the early years of the repayment schedule. I believe that this action would serve the Commission's long term goal of encouraging the development of a vibrant, competitive marketplace for advanced wireless services.

Both the spectrum auction provisions in the Omnibus Budget Reconciliation Act of 1993 and the Telecommunications Act of 1996 seek to promote greater competition in the wireless marketplace. Through its implementing decisions, the Commission has made significant progress in enabling entrepreneurs and small businesses to participate in this new competition. Such entry should lead to key public interest benefits, including the delivery to consumers of a broader array of advanced wireless services at competitive rates as well as new job creation in the economy.

I understand that, unfortunately, current weaknesses in the capital markets for C-block PCS licensees threaten to stifle critical network build out activities as these entities simultaneously concentrate on their repayment schedules for the auctioned spectrum. To rectify this situation, I urge the Commission to act quickly to defer payments on C-block licenses in the early years of the repayment term. Grant of this timing relief would encourage increased investment in C-block companies, thereby enabling them to continue unabated the network build out activities required to launch service and generate cash flows to cover the full principal and interest payments originally pledged in the auctions. In turn, this action would ensure that the public

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Letter to Reed E. Hundt

July 25, 1997

page 2

receives the significant benefits that additional wireless competition promises, including greater innovation, choice, and economic growth.

Thank you for your consideration of my views. With kind personal regards and best wishes, I remain

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Boucher". The signature is written in a cursive, somewhat stylized font.

Rick Boucher
Member of Congress

RB/apm

Congress of the United States
House of Representatives
Washington, DC 20515

EX PARTE OR LATE FILED

September 16, 1997

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The Honorable Reed E. Hundt
Chairman, Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

SEP 24 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Dear Mr. Chairman:

We are writing to express our views on the Commission's efforts to resolve issues relating to the payment terms and schedule for the so-called "C-Block" licensees of broadband Personal Communications Services (PCS). We are eager for the Commission to proceed quickly to a solution that best serves the interests of American consumers and that is fair to industry participants.

We believe that there are a number of important public policy issues at stake that should drive whatever solution or solutions the Commission ultimately adopts. The spectrum auction provisions of the 1993 spectrum auction law embodied a number of important policy goals including: 1) the rapid deployment of new technologies to the marketplace; 2) the promotion of competition in wireless services; and 3) the democratization of licenses for these technologies among a wide variety of applicants. It was to fulfill this latter goal that Congress compelled the Commission to ensure that auction procedures availed small businesses, including women- and minority-owned firms, the opportunity to participate in the auction.

The subsequent auctions conducted by the Commission for PCS provided many small businesses with their first real opportunity to participate in the wireless revolution. We believe that the Commission must seek a solution at this time for "C-Block" licensees that is consistent with Congress' goal that these C-Block licenses be utilized so as to create greater competition in the wireless marketplace and bring new services and lower prices to the American public as quickly as possible.

In addition, the Commission must also remember its statutory mandate to award licenses in a fair and efficient manner. With respect to this last point, it is unacceptable to us for the Commission to proceed on a course that results in large numbers of bankruptcies with bankruptcy judges consequently resolving licensing issues on an ad hoc, case-by-case basis. Aside from the administrative and licensing inefficiencies created by numerous bankruptcies, this result would also violate the goal of bringing service to the public as quickly as possible.

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The Honorable Reed E. Hundt
September 16, 1997
Page 2

Recognizing that the C-block auction achieved the sort of diversity of ownership and participation that Congress intended, any solution that you and your fellow Commissioners agree upon should include a range or menu of options from which companies may choose. We understand that there are a number of proposals currently being discussed at this time.

One option would be to offer an "amnesty" to licensees and allow them to return all of their licenses, forfeit their deposit, and then reauction the licenses to qualified bidders. Some companies may indeed choose this route but for many it may not be a viable option. Another proposal would permit licensees to return all of their licenses, participate in a reauction, and use a substantial part of their downpayment to bid again in that auction.

An alternative that we support would permit licensees to return up to 15 MHz of any license to the FCC in exchange for relief from a proportionate amount of the debt associated with such licenses. This option would reduce debt loads while ensuring the rapid development of competitive service. It may be particularly attractive to licensees that operate in smaller markets, where the existing 30 MHz per license may be more than the amount necessary to provide a competitively viable commercial service. This alternative is also consistent with the FCC's current rules, which permit disaggregation of spectrum.


A final option is a "full price buy-out" proposal. We strongly urge you to consider including this alternative in any menu the Commission is considering for the C-block issue. Under this proposal, current licensees could purchase at "full price" as many of their existing licenses as they desire with cash up front, for the net present value of the "net bid" prices for such licenses, which could be paid for with the licensee's deposit money (plus any new money that the licensee might immediately muster). Those licenses that a licensee is unable to purchase outright would revert back to the Commission for reauction. Licensees who choose this option would be prohibited from significant participation in the reauction. This proposal has the benefit of allowing licensees to proceed with their build-outs immediately, thereby bringing service to the public as quickly as possible, while also providing a meaningful opportunity for all interested parties to participate in an auction for the bulk of the licenses.

We believe these proposals meet the public policy goals set out in the authorizing statute as well as the Commission's public interest mandate. Again, it is imperative that this matter be resolved immediately. We look forward to hearing your views on this matter as soon as possible.

Sincerely,



W. J. "Billy" Tauzin, Chairman
House Subcommittee on Telecommunications,
Trade, and Consumer Protection


Edward J. Markey, Ranking Democrat
House Subcommittee on Telecommunications,
Trade, and Consumer Protection

Congress of the United States
House of Representatives

Washington, DC 20515

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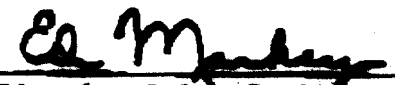
An alternative that we support would permit licensees to return up to 15 MHz of any license to the FCC in exchange for relief from a proportionate amount of the debt associated with such licenses. This option would reduce debt loads while ensuring the rapid development of competitive service. It may be particularly attractive to licensees that operate in smaller markets, where the existing 30 MHz per license may be more than the amount necessary to provide a competitively viable commercial service. This alternative is also consistent with the FCC's current rules, which permit disaggregation of spectrum.

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House Subcommittee on Telecommunications,
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United States Senate

COMMITTEE ON THE BUDGET

WASHINGTON, DC 20510-6100

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SEP 24 1997

EX PARTE OR LATE FILED
September 10, 1997

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

The Honorable Reed E. Hundt
Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

DOCKET FILE COPY ORIGINAL

Dear Chairman Hundt:

Thank you for writing me in July concerning problems developing over the C Block PCS auctions. As I understand, some winning licensees of this auction are now either in bankruptcy or are on the verge of bankruptcy. These licensees apparently are not making their installment payments as promised when they became the winning bidders during the Block C spectrum auction in 1995 and 1996.

For various reasons, clarification of the legal status of spectrum licenses in potential bankruptcy proceedings was not possible in the Balanced Budget Act of 1997. Looking back on our attempts to get clarifying language, it now appears that while such language would have prevented the licenses from being tied up in unproductive bankruptcy litigation for many years, it would not have addressed all the issues stemming from the overbidding and financial difficulty of the winning bidders.

I stand ready to help with legislation this fall but I am not confident that the legislative process will permit us to address this issue before we adjourn the first session of the 105th Congress. Adding to my skepticism further is the fact that some in Congress have written you suggesting that the Commission allow bidders who have encountered problems to defer making payments until those enterprises are operating and profitable, which could take decades.

My staff, working with the Congressional Budget Office, advise me that, under almost any scenario, the original amount of winning bids from the C Block auction (about \$10 billion) will not be received by the federal government due to the current financial difficulties of the winning bidders -- indeed, cash payments may ultimately amount to no more than 30 cents on the dollar. Updates to the federal budget beginning next year will have to record a cost over the next few years reflecting the lower market value of the C Block licenses.

It is obvious that how the Commission seeks to address the problems resulting from the C Block auction could affect the behavior of potential bidders in future spectrum auctions that were directed or authorized by the Balanced Budget Act of 1997. Further, it is probably not optimal to pursue options that forestall the commercial application of Block C spectrum because of time-

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consuming and costly litigation resulting either from extended bankruptcy proceedings or from lawsuits filed by losing bidders if Block C licenses were allowed to renegotiate the terms of their licenses. I therefore strongly urge the Commission to focus its search for a comprehensive solution on options that restore confidence in the auction process as well as rely on the market to value and put into productive use the spectrum. After all, the Congress intended for such spectrum to be a factor of production in the economy, not to sit idle while bogged down in lengthy legal proceedings.

If I or my staff can be of any assistance over the next few weeks as you weigh the options for the Commission's course of action, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to be "Pete V. Domenici", written over a circular stamp or seal.

Pete V. Domenici
Chairman

cc: John S. McCain
Chairman, Commerce Committee

CHARLES E. GRASSLEY, IOWA
DON HOFFMAN, OKLAHOMA
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Pete V. Domenici
Chairman

cc: John S. McCain
Chairman, Commerce Committee

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